



6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Boulder Canyon Project

AGENCY: Western Area Power Administration, DOE.

ACTION: Fiscal Year 2019 Boulder Canyon Project Base Charge and Rates for Electric Service.

SUMMARY: The Deputy Secretary of Energy approves, on a final basis, the Boulder Canyon Project (BCP) base charge and rates for Fiscal Year (FY) 2019 under Rate Schedule BCP-F10. Under Rate Schedule BCP-F10, the BCP base charge and rates are calculated annually.

DATES: The FY 2019 base charge and rates will be effective April 1, 2019 and will remain in effect through September 30, 2019.

FOR FURTHER INFORMATION CONTACT: Mr. Ronald E. Moulton, Senior Vice President and Regional Manager, or Ms. Tina Ramsey, Rates Manager, Desert Southwest Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, (602) 605-2525, or dswpwrmrk@wapa.gov.

SUPPLEMENTARY INFORMATION:

Hoover Dam, authorized by the Boulder Canyon Project Act of 1928, as amended (43 U.S.C 617 *et seq.*), sits on the Colorado River along the Arizona-Nevada border. Hoover Dam's power plant has 19 generating units (two for plant use) and an installed capacity of 2,078.8 megawatts (4,800 kilowatts for plant use). In collaboration with the Bureau of Reclamation (Reclamation), the

Western Area Power Administration (WAPA) markets and delivers hydropower from Hoover Dam's power plant through high-voltage transmission lines and substations to Arizona, Southern California, and Southern Nevada.

The rate-setting methodology for BCP calculates an annual base charge rather than a unit rate for Hoover Dam hydropower. The base charge recovers an annual revenue requirement that includes projected costs from investment repayment, interest, operations, maintenance and replacements, payments to States, and Hoover Dam visitor services. Non-power revenue projections such as water sales, Hoover Dam visitor services, ancillary services, and late fees help offset these projected costs. Customers are billed a percentage of the base charge in proportion to their Hoover power allocation. A unit rate is calculated for comparative purposes but is not used to determine charges for service.

On June 6, 2018, the Federal Energy Regulatory Commission (FERC) confirmed and approved Rate Schedule BCP-F10 for a five-year period ending September 30, 2022.¹ Rate Schedule BCP-F10 and the BCP Electric Service Agreement require WAPA to determine the annual base charge and rates for the next fiscal year before October 1 of each year. The FY 2018 BCP base charge and rates expired on September 30, 2018. Therefore, the Administrator of the WAPA approved rates for short-term sales of BCP electric service until the Deputy Secretary of Energy approved the final base charge and rates.

Comparison of Base Charge and Rates

| | FY 2018 | FY 2019 | Amount Change | Percent Change |
|----------------------------|----------------|----------------|--------------------------|---------------------------|
| Base Charge (\$) | \$76,910,193 | \$69,741,657 | - \$7,168,536 | - 9.3 |
| Composite Rate (mills/kWh) | 19.98 | 18.92 | - 1.06 | - 5.3 |

¹ Order Confirming and Approving Rate Schedule on a Final Basis, FERC Docket No. EF18-1-000, 163 FERC ¶ 62,154 (2018).

| | | | | |
|--------------------------|--------|--------|----------|-------|
| Energy Rate (mills/kWh) | 9.99 | 9.46 | - 0.53 | - 5.3 |
| Capacity Rate (\$/kW-Mo) | \$1.99 | \$1.88 | - \$0.11 | - 5.4 |

The FY 2019 base charge for BCP electric service decreased by \$7.2 million to \$69.7 million; a 9.3% reduction. This FY 2019 decrease follows a one-time increase to the FY 2018 base charge due to Reclamation's collection of \$15 million in working capital in FY 2018. There is no need to collect working capital in the FY 2019 base charge, but other factors—namely, a \$5.1 million decrease in non-power revenue and Reclamation's deferment of \$2.7 million in BCP operations and maintenance costs from FY 2018 to FY 2019—placed upward pressure on the base charge. This necessitated a \$7.8 million offset against the \$15 million decrease in the FY 2019 base charge, resulting in an overall decrease of \$7.2 million in the FY 2019 base charge compared to the FY 2018 base charge. WAPA's costs remain relatively flat and do not result in a measurable effect on the base charge.

The notice of the proposed FY 2019 base charge and rates for electric service was published consistent with procedures set forth in 10 CFR part 903 and 18 CFR part 300. WAPA took the following steps to involve the public in the rate adjustment process:

1. WAPA published a *Federal Register*² notice announcing the proposed formula rates, initiating the 90-day public consultation and comment period, setting forth the date and location of public information and public comment forums, and outlining the procedures for public participation.
2. On August 29, 2018, WAPA held a public information forum in Phoenix, Arizona. WAPA's

² 83 FR 36,586 (July 30, 2018).

representatives explained the proposed changes to the formula rates, answered questions, and provided handouts.

3. On September 28, 2018, WAPA held a public comment forum in Phoenix, Arizona, to provide attendees an opportunity to comment and ask questions for the record.
4. WAPA posted information about this public process at <https://www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx>.
5. The consultation and comment period ended on October 29, 2018, and WAPA received one comment. The comment appears below, paraphrased where appropriate without compromising its meaning.

Comment: A commenter requested that the rate process administered by WAPA be accomplished in a timely manner and prior to October 1.

Response: WAPA experienced delays in implementing the BCP rate process due, in part, to the beginning of a new BCP marketing period on October 1, 2018. The true-up of financial balances between the previous and current BCP contractors, for example, took longer than anticipated. WAPA notes that required administrative actions associated with the new marketing period have been implemented.

Following DOE's review of WAPA's proposal, I hereby approve on a final basis the FY 2019 base charge and rates for BCP electric service under Rate Schedule BCP-F10 through September 30, 2019.

Dated: March 1, 2019.

Mark W. Menezes,
Under Secretary Of Energy.
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